

Congress of the United States
House of Representatives
Washington, DC 20515

February 23, 2010

The Honorable John M. Spratt
Chairman
Committee on the Budget
U.S. House of Representatives
207 Cannon House Office Building
Washington, DC 20515

Dear Chairman Spratt:

We write to respectfully urge your committee not to assume President Obama's oil and gas tax increases recently submitted to Congress within the Fiscal Year 2011 Budget Resolution.

At this critical juncture in American history, we must make tough choices to improve our economic, energy and national security. One choice, however, is clear: the continued domestic production of natural gas and oil will help address many of the challenges we face today, including create jobs for a struggling economy, provide millions of dollars to federal and state governments from taxes and royalties, decrease our reliance on foreign sources of energy, and meet our clean energy goals by reducing greenhouse gas emissions.

President Obama and the Democratic Congress have made improving our economy and job creation our top priority. America's natural gas and oil industry can deliver new, high-wage jobs to many regions of the country, including areas not traditionally associated with oil and natural gas production. According to the Bureau of Labor Statistics at the Department of Labor, energy industry jobs nationwide grew by almost 9% while upstream industry jobs jumped 64% from 2002-2008. If we continue to promote the responsible production of these resources, we can see similar increases throughout the country on top of the over nine million jobs already supported by the industry.

In addition, America's independent producers -- which develop over 80% of U.S. natural gas and nearly 70% of U.S. oil -- are small businesses which President Obama lauded in his State of the Union address as a key component to growing our economy. These companies historically have invested more than 150% of their cash flows back in to projects in America, strengthening economic impact and job growth.

Unfortunately, the tax repeals proposed in President Obama's budget would disproportionately penalize America's independent producers and will serve only to discourage companies from investing in additional projects and jobs, such as in the new shale gas plays across the nation. Below is a brief description of these critical provisions:

Intangible Drilling and Development Costs (IDCs) – IDC tax treatment is designed to attract capital to this high-risk business and has been part of the tax code since 1913.

Percentage Depletion – Percentage depletion provides capital primarily for smaller independents, is only available for American production, and has been part of the tax code since 1926.

Passive Loss Exception for Working Interests in Oil and Gas Properties – Part of the tax code since 1986, this provision provides oil and natural gas small business owners a way to diversify their risk.

Geological and Geophysical (G&G) Amortization – Early recovery of G&G costs allows for more investment in finding new resources. Extending the amortization period would remove capital from efforts to find and develop new American production.

Marginal Well Tax Credit – Created as a safety net for marginal wells during periods of low pricing, these wells provide 20% of American oil and 12% of American natural gas. Removal of this provision adds zero revenue to the President's budget.

Enhanced Oil Recovery (EOR) Tax Credit – Designed to encourage production using costly technologies, such as the use of carbon dioxide as an injectant to increase oil production. Carbon dioxide EOR allows for reaching multiple goals of carbon capture and sequestration and improving American energy production.

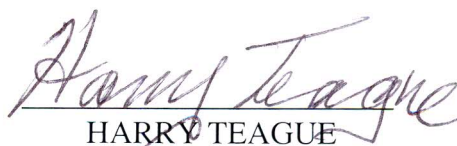
Manufacturing Tax Deduction – All U.S. manufacturers benefitted from this deduction until the natural gas and oil industry was restricted to a six percent deduction in 2008. Complete removal would strip capital away from companies to reinvest in new production.

America needs an energy policy that recognizes the roles that all forms of energy can play – conventional and renewable -- to rebuild our struggling economy, increase U.S. energy supplies and move towards a cleaner energy future. We look forward to working with you to develop a budget resolution that supports these goals.




GENE GREEN
Member of Congress

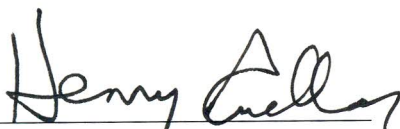
Sincerely,

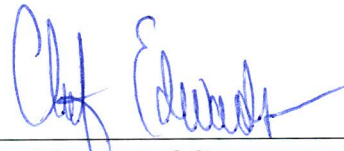


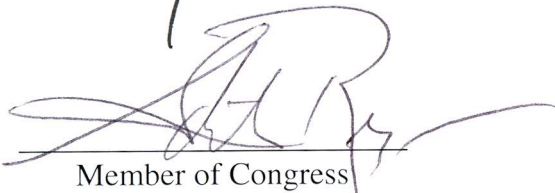
HARRY TEAGUE
Member of Congress

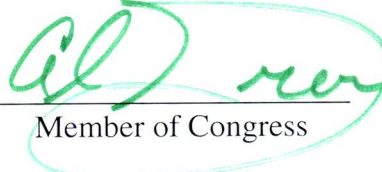

Member of Congress

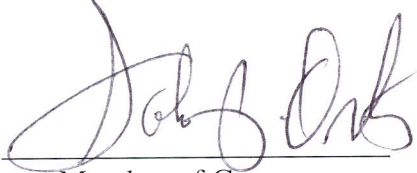

Member of Congress


Member of Congress

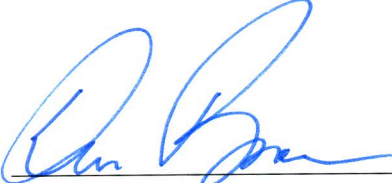

Member of Congress


Member of Congress

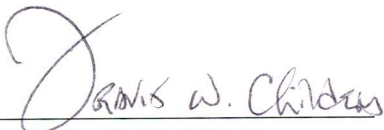

Member of Congress

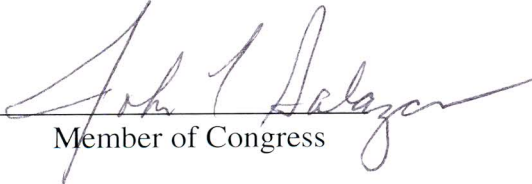

Member of Congress

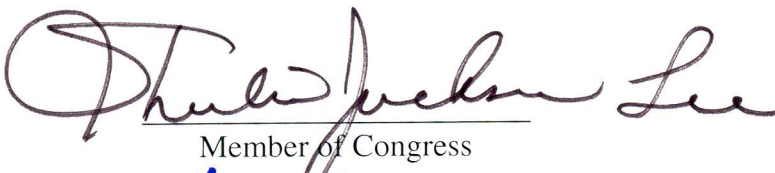

Member of Congress


Member of Congress

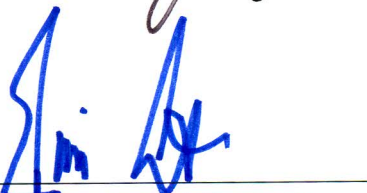

Member of Congress



Member of Congress


Member of Congress


Member of Congress


Member of Congress


Member of Congress


Member of Congress


Member of Congress

Member of Congress

Cc:

The Honorable Ciro Rodriguez
The Honorable Charlie Gonzalez
The Honorable Henry Cuellar
The Honorable Chet Edwards
The Honorable Silvestre Reyes
The Honorable Al Green
The Honorable Solomon Ortiz
The Honorable Ruben Hinojosa
The Honorable Dan Boren
The Honorable Mike Ross
The Honorable Travis Childers
The Honorable John Salazar
The Honorable Sheila Jackson Lee
The Honorable Michael McMahon
The Honorable Jim Costa
The Honorable Earl Pomeroy
The Honorable Jim Matheson